

Message Text

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71-60

ORIGIN PM-04

INFO OCT-01 ARA-06 ISO-00 OMB-01 DODE-00 INR-07 L-03 MC-02

IGA-01 AID-05 TRSE-00 CIAE-00 COME-00 EB-07 NSAE-00

SS-15 ACDA-05 /057 R

DRAFTED BY PM/SAS:GSWEANY:RF

APPROVED BY PM/SAS - SWINSHIP

PM/SAS - MR. JAMES

DOD/DSAA - MR. THIEBERGER (DRAFT)

ARA/APU - MR. FELDER (DRAFT)

ARA/PLC - MR. WILLIAMS

OMB - MR. COLBERG (INFORMED SUBS)

----- 109715

R 211419Z NOV 75

FM SECSTATE WASHDC

TO AMEMBASSY BUENOS AIRES

C O N F I D E N T I A L STATE 275879

E.O. 11652: GDS

TAGS:MASS, AR

SUBJECT: USE OF FMS CREDIT FOR PURCHASE OF WESTINGHOUSE

RADAR (TPS-43)

REF: SECDEF MESSAGE 242035Z OCT 75

JOINT STATE/DEFENSE MESSAGE

1. WE HAVE RECEIVED ARGENTINE NOTE DATED OCTOBER 10
STATING IN PART THAT AFTER STUDYING BIDS "ARGENTINE AIR
FORCE HAS DETERMINED THAT THE PROPOSAL OF WESTINGHOUSE
ELECTRIC CORP., INCLUDING AN/TPS-43-L RADAR, OFFERS THE
MOST DESIRABLE SYSTEM. THE PRICE QUOTED... IS US \$10
MILLION FOR TWO TRANSPORTABLE AIR CONTROL SYSTEMS, IN-
CLUDING A COMPREHENSIVE LOGISTIC SUPPORT PACKAGE. IN ORDER
FOR THE GOVERNMENT OF ARGENTINA TO PROCEED WITH ACCEPTANCE
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AND PROCUREMENT OF THIS EQUIPMENT AT THIS TIME, FINANCING

OF THE CONTRACT IS DESIRABLE. IT WILL BE GREATLY APPRECIATED IF THE US DEPARTMENT OF DEFENSE CAN ASSIST IN ARRANGING APPROPRIATE FINANCING."

2. AS REFTTEL INDICATES, WE HAVE INFORMED ARGENTINE AIR ATTACHE THAT WE WOULD HAVE NO OBJECTION TO ARGENTINE USE OF TOTAL ESTIMATED \$2.4 MILLION IN FY 1972 AND PRIOR YEAR FMS CREDITS TO FINANCE PART OF THIS COMMERCIAL

PURCHASE. ATTACHE INDICATED, HOWEVER, THAT UNDER GOA ALLOCATION ARGENTINE AIR FORCE WOULD RECEIVE \$0.4 MILLION; BALANCE OF \$2.0 MILLION MIGHT GO TO OTHER SERVICES. STATE RESPONSE OF NOVEMBER 18 TO ARGENTINE NOTE OF OCTOBER 10 ALSO INDICATES AVAILABILITY OF \$2.4 MILLION, AND SUGGESTS THAT GOA MAKE REQUEST FOR ADDITIONAL FINANCING IF DESIRED, SPECIFYING PRECISE AMOUNT REQUIRED.

3. SEPARATE ISSUE, INITIALLY RAISED BY VAGUE ARGENTINE NOTE, AND HIGHLIGHTED BY NOVEMBER 13 DISCUSSION BETWEEN WESTINGHOUSE REPRESENTATIVE AND STATE, IS WHETHER THE GOA ALSO DESIRES TO APPLY FY 1976 FMS CREDIT TO FINANCE THE BALANCE OF WESTINGHOUSE RADAR PURCHASE. WESTINGHOUSE HAD BEEN TELLING US THAT THEY UNDERSTOOD GOA DOES NOT PLAN TO USE FY 76 CREDIT FOR THIS PURCHASE, SINCE ARGENTINE AIR FORCE HAS OTHER PRIORITIES. ARGENTINE AIR ATTACHE HAS CONFIRMED THAT GOA INTENDS TO OBTAIN PRIVATE BANK CREDIT (NOT GUARANTEED BY USG) TO FINANCE THIS PURCHASE. ON NOVEMBER 13, HOWEVER, WESTINGHOUSE REVEALED THAT IT HAS BEEN UNABLE TO INTEREST US COMMERCIAL BANKS IN FINANCING BALANCE OF THIS TRANSACTION, AND THAT EUROPEAN BANKS WERE WILLING TO COME IN ONLY AT VERY HIGH INTEREST RATES. WESTINGHOUSE IS NOW CONCERNED LEST ITS BRITISH COMPETITOR, MARCONI, WHOM IT BELIEVES TO BE OFFERING SIMILAR RADAR PACKAGE AT HIGHER PRICE (BUT ON CREDIT TERMS MORE FAVORABLE THAN WESTINGHOUSE CAN ARRANGE) WILL REPLACE WESTINGHOUSE AS SUPPLIER OF RADAR.

4. WE HAVE INFORMED WESTINGHOUSE AND ARGENTINE AIR ATTACHE THAT, UPON RECEIVING GOA REQUEST, WE WOULD CONSIDER USE OF FY 1976 FMS GUARANTEED CREDIT (FEDERAL FINANCING BANK LOAN) CONFIDENTIAL

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TO FUND BALANCE OF RADAR PURCHASE. FYI. WE CALCULATE BALANCE TO BE \$6.1 MILLION, BASED ON FOLLOWING:

EST. PRIOR YEAR CREDIT	2.4
GOA CASH RESOURCES	1.5
BALANCE IN FY 1976 CREDIT	6.1
TOTAL PRICE	10.0

IF THIS PORTION CAN BE TOTALLY USED BY ARGENTINE AIR
FORCE. END FYI.

5. WE HAVE ALSO INDICATED TO WESTINGHOUSE AND ATTACHE THAT
WE BELIEVE WE CAN MAKE LOAN AVAILABLE UNDER CONTINUING
RESOLUTION AUTHORITY (CRA) PRIOR TO ENACTMENT OF
APPROPRIATION, THOUGH WE HAVE CAUTIONED THAT FINAL APPROVAL
AND TIMING OF LOAN MUST AWAIT OUR CONSIDERATION OF A
CONCRETE ARGENTINE REQUEST.

6. REQUEST EMBASSY TAKE FOLLOWING ACTION:

- A. MAKE SURE THAT GOA IS AWARE OF AVAILABILITY OF
\$2.4 MILLION PRIOR YEAR CREDIT.
- B. DETERMINE WHETHER GOA PLANS TO USE ENTIRE
\$2.4 MILLION PRIOR YEAR CREDIT FOR RADAR PURCHASE.
- C. ALERT GOA TO POSSIBILITY OF EARLY FY 1976 FUNDING
UNDER CRA (FMS LOAN) FOR BALANCE OF RADAR PURCHASE; SHOULD
GOA CHOOSE TO REQUEST IT IN LIEU OF COMMERCIAL FINANCING.
EMBASSY SHOULD NOT MENTION PRECISE TIMING NOR AMOUNT OF
POSSIBLE FMS LOAN UNDER CRA. EMBASSY MAY, HOWEVER,
INDICATE THAT IF APPROVED A LOAN COULD BE MADE AVAILABLE
AT INTEREST RATE EQUAL TO COST OF MONEY TO USG, AS
"ADVANCE" AGAINST THE \$34.0 MILLION IN FY 1976 FMS CREDIT
WHICH WE PROGRAMMED FOR ARGENTINA.
- D. REPORT GOA REACTIONS TO B AND C ABOVE.

7. FYI ONLY. WE ARE PREPARED TO HANDLE EXPEDITIOUSLY
GOA REQUEST FOR FMS LOAN UNDER CRA. IT IS LIKELY THAT WE
COULD PROCESS IT, FROM REQUEST TO EXTENSION OF LOAN, IN
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LESS THAN 30 DAYS FROM DATE OF ARGENTINE REQUEST. END FYI.
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TAGS: MASS, AR
To: BUENOS AIRES
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 06 JUL 2006